

# NORTHGATE

EXPLORATION LIMITED

Suite 1905 - 7 King Street East

Toronto, Canada



## *Semi-Annual Report*

June 30, 1967

CONSOLIDATED STATEMENT OF EARNINGS

NORTHGATE EXPLORATION LIMITED

and its wholly owned subsidiary company

IRISH BASE METALS LIMITED



# NORTHGATE EXPLORATION LIMITED

To the Shareholders:

The accompanying consolidated statement of earnings for the six months ended June 30th 1967, with comparative figures for the first and second quarters, as well as the corresponding six month period in 1966, demonstrates progressive improvement in mine operations and income.

Second quarter results exceeded the previous quarter for the three month period ended March 31st, with operating profit totalling \$2,597,000 or 51.9¢ per issued share, an increase of approximately 16% from the first quarter operating profit of \$2,233,000 or 44.8¢ per share. Net earnings totalling \$1,890,000 or 37.8¢ per share were up 20% from the net of \$1,565,000 or 31.4¢ per share in the first quarter.

Mine operations similarly improved. During the 89 operating days in the second quarter, the mill treated 181,501 tons of ore for a daily average of 2,039 tons, with concentrate production totalling 47,764 tons. This compares with 163,224 tons of ore treated in the first quarter, or a daily average of 1,898 tons in the 86 operating days, and concentrate production totalling 43,993 tons. Operations during the month of June achieved the highest rate since the commencement of regular production with 65,748 tons of ore treated, a daily average of 2,191 tons, and concentrate output of 18,920 tons.

The direct operating costs per ton of concentrate produced during the second quarter amounted to \$20.02 which compares with \$20.10 for the preceeding three month period, and the average during 1966 of \$23.76 per ton.

As previously reported, oxide ore was treated in the concentrator during the month of January with a changeover to sulphide ore in February. The treatment of sulphide ore was continued until May 10th and then reverted to oxide ore, with the changeover being achieved in approximately 24 hours.

In connection with the accompanying financial statement, it is again noted that the operating profit is expressed in terms of "cash flow per share" in order to indicate the earnings potential under normal or "debt free" conditions, by excluding the effect of debenture interest and related expenses. These figures also represent the approximate amounts available for servicing the funded debt and are after deducting all direct operating costs, government royalty, administrative and general expenses.

The cash flow after deducting interest charges on the funded debt amounted to \$2,495,000 equal to 50.1¢ per share for the second quarter, with the comparable figure for the first quarter amounting to \$2,038,000 or 40.7¢ per share, or \$4,533,000 equal to 90.8¢ per share for the full six month period ended June 30th, 1967.

The debt reduction in the six month period ended June 30th, 1967, includes the cash flow sinking fund payment of US\$1,842,000 payable on the Series 'B' Bonds of Irish Base Metals Limited on May 1st, 1967, together with US\$93,000 surplus monies from the project fund set up for the construction program which were applied to the retirement of the Series 'B' Bonds.

A further C\$2,490,000 of consolidated funded debt will be redeemed on August 18th, 1967. This, together with the debt retirement referred to in the last Annual Report, makes an aggregate of C\$7,043,000 of consolidated debt redeemed during the initial period of some 18 months of operations, thus



# NORTHGATE EXPLORATION LIMITED

## CONSOLIDATED STATEMENT OF EARNINGS (Unaudited)

(Expressed in Canadian dollars)

	First Quarter 1967	Second Quarter 1967	Six Months Ended June 30th 1967	1966
Tons of ore treated	163,224	181,501	344,725	242,456
Production of concentrates:				
Tons of lead concentrates	21,123	32,375	53,498	11,772
Tons of zinc concentrates	12,481	8,753	21,234	21,595
Tons of bulk concentrates	10,389	6,636	17,025	20,474
Total tons of concentrates	43,993	47,764	91,757	53,841
Gross value of metal production	\$5,646,000	\$6,265,000	\$11,911,000	\$7,316,000
Deduct shipping, smelting, marketing charges	2,208,000	2,388,000	4,596,000	2,746,000
Net Smelter value	\$3,438,000	\$3,877,000	\$ 7,315,000	\$4,570,000
Operating expenses, including mining, milling, government royalty and administration	1,205,000	1,280,000	2,485,000	1,674,000
Operating profit	\$2,233,000	\$2,597,000	\$ 4,830,000	\$2,896,000
Depreciation, interest expenses and amortization of preproduction expenditures, debt discount and financing expenses	668,000	707,000	1,375,000	1,661,000
CONSOLIDATED NET EARNINGS	\$1,565,000	\$1,890,000	\$ 3,455,000	\$1,235,000
*CASH FLOW PER SHARE	44.8¢	51.9¢	96.7¢	58¢
NET EARNINGS PER SHARE AFTER WRITE-OFFS	31.4¢	37.8¢	69.2¢	24.5¢

### NOTES:

\*Cash flow represents funds available for servicing debt and is before deductions for interest expense, amortization of debt discount and expenses, and non cash write-offs for amortization and depreciation of fixed assets and preproduction expenditures. Operations for the six month period ended June 30, 1966, include a "tune up" period in the first quarter.

In accordance with the 1967 Finance Act of the Republic of Ireland, profits from the operation of the Tynagh Mine of the company's wholly owned subsidiary, Irish Base Metals Limited, are exempt from all corporate income taxes for a period of 20 years from the commencement of operations. In addition, there is no withholding tax payable to the Irish Government in respect of any dividends paid to Northgate Exploration Limited by its subsidiary, Irish Base Metals Limited.

In computing the estimated net realizable value of concentrates on hand, the following metal prices were used:

	1967 — Six Months Ended June 30th — 1966			
	Sterling	Canadian equivalent	Sterling	Canadian equivalent
Lead	£ 82 per long ton	11.0¢ per pound	£ 91.5 per long ton	12.3¢ per pound
Zinc	£ 98 per long ton	13.19¢ per pound	£ 102 per long ton	13.7¢ per pound
Copper	£ 354 per long ton	47.4¢ per pound	£ 586 per long ton	78.5¢ per pound
Silver	146 pence per ounce	\$1.825 per ounce	111.387 pence per ounce	\$1.39 per ounce

reducing the funded debt from C\$12,438,000 at the commencement of production to C\$5,395,000 on August 18th, 1967.

The following table illustrates the progressive redemption of consolidated funded debt since the commencement of production:

	Total Can. \$	Collateral Trust Debentures of Northgate Exploration Limited Can. \$	Series 'B' Bonds of Irish Base Metals Limited U.S. \$
Total Initial Debt: .....	\$12,438,000	\$6,000,000	\$6,000,000
REDEMPTIONS:			
Dec. 15, 1966 .....	2,474,000	1,200,000	1,200,000
March 1, 1967 .....	99,000		93,000
May 1, 1967 .....	1,980,000		1,842,000
Aug. 18, 1967 .....	2,490,000	1,200,000	1,181,000
Balance Outstanding .....	<u>\$ 5,395,000</u>	<u>\$3,600,000</u>	<u>\$1,684,000</u>

(\*In addition to the redemptions, approximately \$1,300,000 in interest was paid.)

The recent increase in the price of silver on the world bullion markets is of considerable significance to the company. Silver contained in the concentrates produced in the six months ended June 30th, 1967, totalled 872,000 ounces. In computing the estimated net realizable value of silver on hand, a price equivalent to \$1.825 per ounce in Canadian funds was used. This price compares with a range latterly in July on the London Metal Exchange between 156 and 161 pence, or the Canadian equivalent of \$1.873 to \$2.012 per ounce. The Tynagh Mine is considered to be the largest individual silver producer in Europe.

As previously reported, a program of drilling on the strike extensions of the Tynagh Mine deposit has been in progress since early this year and is meeting with encouraging indications. To date, significant drill intersections have been obtained at distances up to 1,400 feet east of the open pit area. This program is continuing and it is expected that a correlation of the drilling results will be possible during the latter part of this year.

In connection with Gortdrum Mines Limited, it is noted that the start-up of operations was on July 28th, 1967. The 1,500 ton capacity concentrator at the Gortdrum copper-silver mine near Tipperary, Ireland, was completed within the construction estimate. Northgate Exploration Limited is the largest individual shareholder of Gortdrum Mines Limited and since the end of the year has increased its holding to over 850,000 shares, or approximately 24% of the issued capital of Gortdrum Mines Limited.

On behalf of the Board of Directors,

*Pat. J. Hughes.*

July 31, 1967.

President.

## NORTHGATE EXPLORATION LIMITED

### CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS (UNAUDITED)

SIX MONTHS ENDED JUNE 30, 1967

(with comparative figures for 1966)

(Expressed in Canadian Dollars)

	1967	1966
SOURCE OF FUNDS:		
Net income for the period .....	\$3,455,000	\$1,235,000
Add charges to income not requiring cash outlay:		
Amortization and depreciation .....	1,078,000	1,217,000
	<u>\$4,533,000</u>	<u>\$2,452,000</u>
APPLICATION OF FUNDS:		
Reduction in non-current portion of long-term debt	\$2,490,000	\$2,485,000
Additions to land, buildings, machinery and equipment .....	413,000	216,000
Purchase of shares in other mining companies, less sales .....	258,000	100,000
Exploration expenditures in Canada and Ireland deferred .....	21,000	67,000
Other application .....	—	7,000
	<u>\$3,182,000</u>	<u>\$2,875,000</u>
INCREASE (DECREASE) IN FUNDS HELD .....	<u>\$1,351,000</u>	<u>( 423,000)</u>

Funds held consist of current assets and funds held by trustee, less current liabilities, including current portion of long term debt.